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Q245

Taking unfair advantage of trademarks: parasitism and free riding

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I. Current law and practice

1) Do the laws of your jurisdiction provide for protection against:

a) the taking of unfair advantage of trademarks as defined in these Working Guidelines (see paragraphs 26) and 27) above); and/or

yes

Please comment:

Yes, primarily through Trade Marks Act section 4[[http://lovdata.no/lov/2010-03-26-8/Å\\$4](http://lovdata.no/lov/2010-03-26-8/Å$4)], second paragraph, which implements the Trade Marks Directive (Directive 2008/95/EC[<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:299:0025:0033:en:PDF>]) section 5(2). The provision protects trade marks that are well known in the country against use of identical or similar signs for any goods and services, if the use takes unfair advantage of the mark's distinctive character or reputation (free riding). The provision also protects the holder of the well known mark from use that would be detrimental to the mark's distinctive character or reputation. In the following only the protection against free riding will be discussed.

Additionally, the Marketing Act section 25[[http://lovdata.no/lov/2009-01-09-2/Å\\$25](http://lovdata.no/lov/2009-01-09-2/Å$25)] prohibits any action in the course of business contrary to good business practices. It follows from the practice of the Council dealing with unfair marketing practices (see i.a. NKU-2004-1 STRESSLESS and NKU-1996-6 WASH & GO) that the provision is applicable to free riding. The Council is a non-judicial body, and its decisions are not legally binding. However, the decisions are generally accepted by the parties involved, and it has great persuasive force in proceedings before the courts. It is also often

the basis for interpretation of the Marketing Act in legal scholarship.

While section 4 of the Trade Marks Act may be applied against the use and registration of trade marks, section 25 may be applied against the use of trade marks. In some cases, section 25 may be applied in addition to the Trade Marks Act. In cases where Trade Marks Act section 4 is not applicable, but some form of free riding has nevertheless taken place, the more flexible Marketing Act may function as a supplement.

b) use that you consider similar but outside the scope of the definition in these Working Guidelines?

yes

Please comment:

The Marketing Act may also protect against use that is similar to, but outside the scope of the definition in the working guidelines. In particular, section 30[<http://lovdata.no/lov/2009-01--9-2/Å§30>] protects the holder of any trademark against use that creates confusion and takes an unfair advantage of another's efforts or results. This provision will not be discussed further.

For the questions below, if b. applies either separately or in addition to a., please make that clear in any relevant answer.

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2) What is this protection called, and is this a definition developed in case law or found in a statutory provision? If such protection is characterised as a form of protection against dilution, please state this and provide any explanation as to the basis for such characterisation.

The protection in section 4 of the Trade Marks Act is called "protection for reputed marks", or the "Kodak rule" in more colloquial terms. The definition is found in the already referred to statutory provision, however the exact content and scope of the provision has been elaborated in case law, and in particular case law from the EU courts.

Section 25 of the Marketing Act is often coined "the general clause for good conduct in business". The wording of the provision is very broad, covering any conduct in the course of business, which may be characterised as contrary to good business conduct and practice. With such a broadly defined wording, it has been up to the courts, the Council dealing with unfair marketing practices and legal scholars to define the content of the provision in more detail.

3) If such protection is available, what is the basis for the protection, e.g. trademark law (distinguishing between unregistered and registered trademarks where relevant), unfair competition, consumer protection law, common law? If multiple causes of action are available, is there an interaction between them, and if so, what?

The basis for protection is trade mark law and marketing law. The latter serves as a sort of unfair competition act and consumer protection act combined. In relation to the protection of reputed trade marks, its purpose is to prevent unfair competition.

The protection under trade mark law is not limited to registered trade marks. In addition, proprietors of unregistered trade marks may invoke section 4 of the Trade Marks Act, provided of course that the mark is reputed. Furthermore, the provision is not limited to marks that have been used in Norway, it is sufficient that the mark is reputed in Norway. For example, until recently, a soft drink sold under the trade mark RED BULL was prohibited in Norway. Despite this, the Board of Appeal found that the mark had protection against unfair advantage as a reputed mark.

Since the purpose of section 25 of the Marketing Act is to provide protection against unfair business conduct, it is not limited to any formality requirements such as the registration of a trade mark.

As to the interaction between the Trade Marks Act and the Marketing Act, they may both be invoked together as alternatives in court proceedings concerning the use of trade marks. In proceedings concerning the registration of trade marks, only the Trade Marks Act may be invoked. Similarly, in proceedings before the Council dealing with unfair business practice, only the Marketing Act may be invoked.

4) What are the elements of any available cause of action, e.g. the requirement for the trademark to be registered, reputation in the trademark, establishment of a link or association with the trademark, bad faith, change in the economic behaviour of consumers, actual advantage, potential future advantage? How are they proven?

The elements of an action based on the Trade Marks Act are as follows:

- The trade mark must be reputed in Norway, whether registered or unregistered
- It must have been used without the consent of the proprietor
- The marks must be identical or similar
- Similarity of goods and services is not a requirement
- The use of the later mark must result in a link or association to the earlier mark
- Protection is given if use of the later mark may result in the taking of unfair advantage of the earlier mark

Association/link is not specifically indicated in the statutory provision, however it is considered to be an element of the assessment, whether either as a separate requirement or part of the overall assessment of taking unfair advantage. We have a national court decision (Kvikk Lunsj) dealing with association as a separate requirement, however recent decisions from the Board of Appeal seem to go in the direction of treating association/link as part of the overall assessment of unfair advantage. This is probably more a technical issue, rather than a substantive issue.

As to the standard of unfair advantage, neither administrative nor court decisions in Norway have required bad faith or any change in the economic behaviour of consumers, although the latter may become an issue as a result of the recent Wolf decision of the General Court of the European Union. In particular in administrative proceedings, it is generally sufficient that there is a likelihood that the later mark may exploit the goodwill of the earlier mark or reduce the "eyecatcher" effect of the earlier mark. The latter seems to point towards dilution, and the border between unfair advantage and dilution in decisions is therefore not always entirely clear.

Generally speaking, it is up to the claimant to prove all the elements of the Trade Marks Act. However, and particularly in court proceedings, the parties may agree on elements of the provision, leaving just the essential issues for the court to decide. For example, the parties may agree that the earlier mark is reputed.

As to the Marketing Act, it is very broadly defined: In business, nobody must undertake actions which are contrary to good business conduct and practices. This leaves a lot of discretion to the courts.

5) Further to question 4):

a) what degree of reputation, if any, in the trademark is required?

Trade Marks Act: The standard is the same as in C-375/97, Chevy. The earlier mark must be known by a significant part of the public. Generally, a mark must be more than well known to be reputed. It must have an exceptional goodwill value.

b) who bears the burden of proof regarding the requirements?

Generally speaking, it is up to the claimant. However see the second to last paragraph of our reply to question 4.

c) must the use at issue cause confusion?

no

Please comment:

Use must not cause confusion. It is sufficient that use causes an association.

d) can the protection be invoked in case of both similar and dissimilar goods/services?

yes

Please comment:

Yes.

e) are there any other factors, even if not a separate requirement, that may be relevant, and if so, what are they?

As previously mentioned, the association/link requirement is not codified by law. It has developed through jurisprudence.

The Norwegian provision does not have an explicit due cause defence, although it does refer to the use not having been consensual. However, due cause is relevant when assessing whether it is likely that use of the later mark may take unfair advantage of the earlier mark. If there is due cause, then any advantage wouldn't be unfair.

6)	Are there any defences against and/or limitations to the protection?
	yes
	If so, what are they, and what are the elements of such defences/limitations?:
	Use must not be with the consent of the proprietor of the earlier mark.
	Furthermore, due cause may also be invoked, as well as any other defences that the later mark has not taken any advantage which is unfair.

7)	Who bears the burden of proof in relation to any defences and/or limitations? In this context, please also consider the relationship with the element of "unfairness". For example, is it a defence that the use is with "due cause" (see paragraph 31 of the introduction) above and footnote 2) of the introduction? If so, can such use ever be "unfair"? Or is this just a matter of a shifted burden of proof?
	We have already touched on this issue under 5e. The overriding question is whether use is unfair or not, and due cause would fall under the issue of unfairness.
	Whether a particular use is unfair, is something the holder of the earlier mark normally needs to justify. Simultaneously or later on, depending on the nature of the proceedings, and the merits of the case, the other party may provide arguments as to why use is not unfair, including due cause.

8)	If a defence exists or only limited protection is available, what rights does that give the free rider? For example, may the free rider simply use the trademark or may the third party obtain a separate trademark registration in respect of the goods and/or services in respect of which the free rider is using the trademark?
	If a defense exists, the "free rider" isn't a free rider, legally speaking. In these circumstances, this party may both use the trade mark and obtain a separate trade mark registration.

9)	Can the protection be invoked in:
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a)	court in civil proceedings;
	yes
	Please comment:

b)	court in other proceedings;
	yes
	if so what other proceedings (e.g. criminal proceedings):
	Yes (criminal proceedings)

c)	opposition proceedings;
	yes
	Please comment:

d)	any other?
	yes

if so what, proceedings?:

Cancellation proceedings before the Norwegian Industrial Property Office (NIPO).

As to the Marketing Act, this may be invoked before the Council dealing with unfair marketing practices in addition to the courts.

10) If the protection can be invoked in multiple proceedings, are there different requirements for different proceedings? If so, please state the requirements.

No, the requirements are the same.

II Policy considerations and proposals for improvements of the current law

11) Should there be protection against:

a) the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or

yes

Why?:

b) use that is similar but outside the scope of the definition in these Working Guidelines?

yes

Why?:

Traditional trade mark rights, where protection is dependent on the ability to prove a risk of confusion, may not protect the trade mark owner against use that it would seem legitimate that he should be able to prohibit. Traditional trade mark rights essentially offers protection for a marks' function as a guarantee of origin. A trade mark owner may additionally, through use, advertising or otherwise have caused a certain mark to acquire a value that may be exploited without creating confusion as to the origin of the goods, or choose a mark which has some intrinsic value due to it's distinctiveness and which is not reputed. A trade mark may therefore have important functions relating to advertising, or giving goods bearing the mark a higher value in the eyes of the customer than they would have without it. These additional functions of a trade mark are made possible by the actions and investments of the proprietor of the mark, and the proprietor has a legitimate interest in being the one to reap the rewards. Additionally, free-riding may cause these acquired properties to diminish, without necessarily diluting or damaging the reputation of the mark.

Protection should also be considered for similar cases to the ones defined in these Working Guidelines, for instance where only the economic investment of the trade mark owner is exploited. This may be the case where distinctive elements of a newly registered mark which has not acquired any sort of reputation is copied by a non-competitor for non similar goods and services. For example, it is conceivable that although the mark is not protected by copyright, the trade mark owner may have spent significant resources on the design. Other businesses should not be able to take advantage of the trade mark owners investment in such cases, both for reasons of fairness, and to protect designers and other creative workers that offer businesses and society at large a valuable service by creating interesting or aesthetically pleasing designs. If the trade mark owner is not protected against such use, there is a certain risk that he may not want to invest in novel designs.

Of course it is important to limit the application of such protection to cases where a trade mark owner has some legitimate interest to protect. As an example, freedom of speech must not be unduly inhibited by such rules.

12) Is the basis for protection or the cause of action relevant?

no

Why not?:

The basis for protection or cause of action is not relevant to our assessment of question 11.

13) Should it be possible to invoke the protection in all types of proceedings mentioned above under 9) above?

yes

Why?:

However, invoking the protection in criminal proceedings should be limited to exceptional circumstances of free riding (e.g. repeated instances of blatant free riding) and proof of criminal intent should be required for conviction.

14) How can your current law as it applies to the taking of unfair advantage of trademarks and/or the interpretation thereof (in particular, in case law) be improved?

With regard to trade mark law, The Norwegian provision described above is fairly new, although similar protection has existed for a long time. There is therefore little domestic case law to aid in the interpretation of the provision. Therefore, some subtleties in the wording may not be completely clear to the person applying the law. Since the provision will be interpreted in light of case law from the EU, this is not a significant problem.

Although it is conceivable that some fringe cases may not be covered by the provision of the trade mark act (e.g. if a third party starts using a mark with the expectation of being able to free-ride on reputation that the mark may acquire in the future, or a mark has a reputation, but only in a small part of the country), the protection offered by the Marketing Act may be applicable if the case relates to the use of a trade mark. Broadening the scope of protection is therefore not necessary to properly safeguard the interests of the trade mark owner in respect of use.

However, as the Marketing Act may not be invoked in registration procedures, the current provision on unfair advantage in the Trade Marks Act could be supplemented with a provision covering the above mentioned instances of unfair advantage.

III Proposals for harmonisation

15) Is harmonisation in this area desirable?

yes

Please comment:

Yes. In our opinion, harmonisation of trade mark law is desirable in general.

If yes, please respond to the following questions without regard to your national or regional laws.

Even if no, please address the following questions to the extent you consider your national or regional laws could be improved.

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16) If your answer to question 11) is no in respect of a. and/or b., is it your view that no such protection should be available anywhere?

N/A

17) Should there be harmonisation of the definition of:

a) the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or

yes

If so, please provide any definition you consider to be appropriate.:

b) use that you consider similar but outside the scope of the definition in these Working Guidelines?

yes

If so, please provide any definition you consider to be appropriate.:

Any use of a sign identical or similar to a trade mark or other sign registered or used in the course of business to distinguish one trader's goods or services from another, which takes unfair advantage of the mark's reputation, distinctive character or the economic investment of the owner of the sign, should be prohibited.

18) What should the basis for protection/cause(s) of action be?

Both use and registration of a mark that is unfairly exploited should be a basis for protection/cause of action. As taking unfair advantage of a mark presupposes some knowledge of it, the interests of the trade mark owner are the same in use and registration cases, as is the ability of the infringer to assess whether his actions will be infringing.

19) What should the requirements for protection be? In your answer, please address at least the following, in addition to any other relevant factors: what level of reputation, if any, in the trademark should be required, and who should bear the burden of proof?

In our opinion, there should be no requirement that the mark has a certain reputation. It would be impossible to take unfair advantage of the reputation of a mark that does not have some level of reputation to take advantage of. Granting a higher level of protection to certain marks only serves to arbitrarily exclude owners of less reputed marks from protection of their legitimate interests.

The person who makes the claim that some action takes unfair advantage of his mark should bear the burden of proof. This ascertains a reasonable protection against frivolous lawsuits, as well as the effective operation of the courts/IPO.

20) What defences against and/or limitations to the protection should be available? Please state the proposed requirements for any defence/limitation, and the effect of any defence/limitation.

Ideally, the available defences should be flexible and function as a legal standard, such as a requirement that any advantage gained by the use must be unfair. Because of the complex case matter, it is not desirable to provide strict, defined defences. The effect of the defence should be that the protection does not apply.

21) Who should bear the burden of proof in respect of any defences and/or limitations?

This will depend on the nature of the defence, but normally, the accused infringer should bear the burden of proof.

22) In what type(s) of proceedings should it be possible to invoke the protection?

The protection should be possible to invoke in all cases, although the requirements for criminal sanction should be stricter, clearer and require criminal intent.

Summary

Norwegian law offers relatively broad protection against free riding. The legal basis for protection is found in statutory trade mark law and unfair competition law. Both registered and well known unregistered marks qualify for protection. The requirements for protection against free riding are heavily influenced by EU law. Harmonisation in this area is desirable. In the Norwegian group's opinion, the protection against free riding should be broad and cover all forms of unfair exploitation of another mark. Both the reputation of a mark and the economic and creative investment in a mark should be protected from exploitation. Therefore, there should not be a requirement for a mark to have a certain level of reputation to qualify for protection. Defences against claims that a certain conduct constitutes free riding should be flexible and ideally take the form of a legal standard. The effect of a successful defence should be that the protection does not apply. The protection against free riding should be possible to invoke in all kinds of proceedings.

Please comment on any additional issues concerning the taking advantage of trademarks in the sense of parasitism and free riding you consider relevant to this Working Question.